

# **SECOND QUARTER**

CLEVELAND PUBLIC LIBRARY  
BUSINESS INF. BUR.  
CORPORATION FILE

**report to  
shareholders  
twenty-six weeks  
ended**

**JULY 31, 1976**



August 25, 1976

**TO OUR SHAREHOLDERS:**

Following a strong first quarter, overall general merchandise business experienced a marked slowdown during May. Although sales have steadily improved since then, the quarter as a whole fell somewhat short of our expectations and included higher than normal markdowns.

Volume during the second quarter ended July 31, 1976 (excluding sales of leased departments) rose 4.0% to \$279,430,000 and net income was \$1,569,000, or \$.31 per share, as compared with \$1,913,000, or \$.39 per share last year. First half sales (excluding those of leased departments) rose 5.3% to \$516,474,000 and net income aggregated \$2,082,000, or \$.41 per share, up from \$1,222,000, or \$.24 per share last year.

Net income from continuing operations during the 53 weeks ended July 31, 1976 totaled \$7,757,000, or \$1.54 per share; after the non-recurring charge incurred in the fourth quarter of last year relative to the discontinuance of our owned revolving charge plan, net earnings in this period were \$5,800,000, or \$1.15 per share.

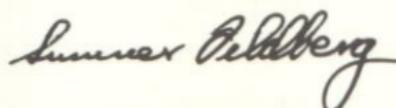
Merchandise inventories have now been brought more into line with our Fall plans. Despite the increase in markdowns, continued progress has been made in our program to enhance gross margins.

The outlook for the second half is favorable; consumer discretionary income continues to rise. We anticipate stronger sales trends during the third quarter and improved earnings for the year as a whole.

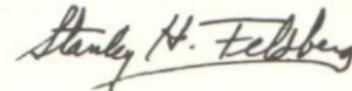
We are pleased to report that arrangements have been concluded with our 16 line banks to extend our unsecured, committed line of credit agreement through January 27, 1978. In view of our reduced requirements, principally due to the recently completed sale of our customer receivables, we have scaled our lines down from \$89.5 million (including \$22 million available to Zayre Credit Corporation) to \$72 million.

Recently, we celebrated the anniversary of the opening of the first Zayre store in Hyannis, Massachusetts, on June 12, 1956. Your Company's development in that brief span of twenty years to a major position in American retailing sets the stage for what we believe will be an exciting future in the years ahead.

Respectfully submitted,



SUMNER FELDBERG  
Chairman of the Board



STANLEY H. FELDBERG  
President

## **FINANCIAL SUMMARY** (Unaudited) Zayre Corp.

(Dollars in Thousands)

Net sales (excluding leased department sales) . . . . .	\$2,100
Income from continuing operations before income taxes . . . . .	1,000
Provision for federal and state income taxes . . . . .	(100)
Income from continuing operations . . . . .	\$1,000
Discontinued operations:	
Income (loss) from discontinued owned credit plan, net of applicable income taxes . . . . .	(100)
Loss on disposal of owned credit plan, net of applicable income taxes . . . . .	(100)
Net income . . . . .	\$1,000
Net income per common share:	
Primary and fully diluted	
Income from continuing operations . . . . .	\$1,000
Income (loss) on discontinued owned credit operations . . . . .	(100)
Net income . . . . .	\$1,000
Average number of common shares outstanding . . . . .	4,900
Self-service department stores in operation . . . . .	

(1) Reclassified to reflect results of discontinued operations separately from continuing operations.  
The Company's fiscal year ends on the last Saturday in January.

## **CONDENSED BALANCE SHEET** (Unaudited)

(Dollars in Millions)

	<u>July 31, 1976</u>	<u>July 26, 1975</u>
<b>ASSETS</b>		
Current assets		
Cash . . . . .	<b>\$ 18.4</b>	\$ 21.3
Accounts receivable and pre-paid expenses . . . . .	<b>10.9</b>	14.2
Merchandise inventories . . . . .	<b>277.6</b>	243.1
Net assets related to discontinued owned credit plan . . . . .	<b>.9</b>	5.1
Total current assets . . . . .	<b>307.8</b>	283.7
Property, net of depreciation and amortization . . . . .	<b>90.1</b>	97.1
Other assets . . . . .	<b>8.9</b>	8.7
<b>TOTAL ASSETS</b> . . . . .	<b>\$406.8</b>	<b>\$389.5</b>

**b. and Consolidated Subsidiaries**

	<u>13 Weeks Ended(1) July 31, 1976</u>	<u>26 Weeks Ended(1) July 31, 1976</u>	<u>53 Weeks Ended(1) July 31, 1976</u>
<b>79,430</b>	\$268,711	<b>\$516,474</b>	\$490,278
<b>3,266</b>	3,942	<b>4,338</b>	2,458
<b>1,697</b>	2,048	<b>2,256</b>	1,277
<b>1,569</b>	1,894	<b>2,082</b>	1,181
 <b>—</b>	 19	 —	 41
 <b>—</b>	 —	 —	 —
 <b>—</b>	 19	 —	 41
 <b>1,569</b>	 \$ 1,913	 \$ 2,082	 \$ 1,222
 <b>\$ .31</b>	 \$.39	 <b>\$.41</b>	 .24
 <b>—</b>	 —	 —	 —
 <b>\$.31</b>	 \$.39	 <b>\$.41</b>	 .24
 <b>48,234</b>	 4,864,767	 <b>4,952,779</b>	 4,864,767
 <b>255</b>	 257		

ing operations.

**d) Zayre Corp. and Consolidated Subsidiaries**

	<u>July 31, 1976</u>	<u>July 26, 1975</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Notes payable to banks . . . . .	<b>\$ 48.0</b>	\$ 20.5
Current instalments of long-term debt . . . . .	<b>9.7</b>	13.0
Accounts payable and accrued expenses . . . . .	<b>113.0</b>	117.5
Total current liabilities . . . . .	<b>170.7</b>	151.0
Long-term debt (includes real estate mortgages) . . . . .	<b>109.8</b>	118.1
Deferred income taxes . . . . .	<b>9.8</b>	9.7
Shareholders' equity . . . . .	<b>116.5</b>	110.7
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> . . . . .	<b>\$406.8</b>	<b>\$389.5</b>

# Zayre Corp.

Framingham, Massachusetts 01701

CHANGE OF ADDRESS: Shareholders are requested

to notify Corporate Services Department

State Street Bank and Trust Co.,

P.O. Box 5003, Boston, Mass. 02107

CLEVELAND PUBLIC LIBRARY  
BUSINESS INFORMATION DEPT  
325 SUPERIOR AVENUE  
CLEVELAND, OH, 44114

